



FISCAL MEMORANDUM

SB 891 - HB 1085

March 16, 2023

SUMMARY OF BILL AS AMENDED (005106): Extends, until June 30, 2059, the current allocation of state sales tax revenue to Memphis, as it pertains to the Memphis Grizzlies, for the exclusive use of its sports authority. Requires state sales tax revenue derived from the sale of admissions to all other events occurring at the FedExForum and from all other sales of food and drink and other authorized goods or products sold on the premises of such facility, parking charges, and related services to be distributed, until June 30, 2059, to Memphis, for the exclusive use of its sports authority.

ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

Decrease State Revenue – Exceeds \$1,500,000/Each Year FY23-24 through FY58-59

Forgone State Revenue – Exceeds \$5,000,000/Each Year FY31-32 through FY58-59

Increase Local Revenue –

Exceeds \$1,500,000/Each Year FY23-24 through FY58-59/Memphis

Other Fiscal Impact – Local revenue loss avoidance exceeding \$5,000,000 in each year FY31-32 through FY58-59 for Memphis for the exclusive use of its sports authority.

Assumptions for the bill as amended:

Memphis Grizzlies

- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(B), the allocations of state sales tax collections would end 30 years from the date that the first game is played by the professional sports franchise in a municipality.
- The Grizzlies first game after relocating to Memphis was on November 1, 2001; as a result, FY31-32 is the year that these allocations would be ending under current law.
- The FY21-22 allocations were approximately \$4,500,000. Fiscal Review Committee (FRC) staff estimates sales tax growth of 8.53 percent in FY22-23 and additional growth of 4.06 percent in FY23-24. The exact amount of such revenue growth in future years is unknown but is assumed to increase over time.
- The proposed legislation will continue an allocation of state sales tax revenue to Memphis for the exclusive use of its sports authority in an amount estimated to exceed \$5,000,000 in each year FY31-32 through FY58-59.

- Current budgetary levels will not be impacted as the majority of this revenue has never been retained by the state. Therefore, the impact of this legislation on state government revenue is considered forgone.
- The proposed legislation will continue the current longstanding allocation of revenue to Memphis.

FedExForum

- The proposed distribution of state sales tax revenue to Memphis from all other events occurring at the FedExForum and from all other sales of food and drink and other authorized goods or products sold on the premises of such facility, parking charges, and related services applies to the state sales taxes generated from the 5.5 percent tax rate.
- Based on reported historical sales tax collections from such events and FRC staff's estimated sales tax growth rates, sales tax collections from those events generated by the 5.5 percent tax rate are estimated to be approximately \$1,500,000 in FY23-24. The exact amount of such revenue growth in future years is unknown but is assumed to increase over time.
- Therefore, the recurring decrease in state revenue and an equivalent increase in local revenue to Memphis is estimated to exceed \$1,500,000, beginning in FY23-24.
- Any impacts of additional future events, sales or admissions associated with planned renovations and expansions is not considered in this fiscal analysis. However, any such impacts are considered forgone revenue to the state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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